

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1384
ANSWERED ON:04.03.2016
Interest Free Revolving Fund
Meena Shri Arjunlal

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to extend the facility of 75 per cent interest subsidy to cooperative banks and proposes to keep aside 75 per cent of interest subsidy as "interest free revolving fund" for cooperative banks at the beginning of the financial year;
- (b) if so, the details thereof; and
- (c) if not, the reasons therefor?

Answer

The Minister of State in the Ministry of Finance

(a) to (c) : With a view to ensuring availability of agriculture credit at a reduced interest rate of 7% p.a. to farmers, the Government of India implements an interest subvention scheme for short term crop loans up to Rs. 3.00 lakh. This scheme is implemented through Public Sector Banks, Private Sector Commercial Banks, Cooperative Banks and Regional Rural Banks. Under the said scheme, additional subvention of 3% is given to those farmers who repay their short term crop loan in time, thereby reducing the effective rate of interest to 4% p.a. for such farmers.

Further, the cooperative banks get short term refinance from National Bank for Agriculture & Rural Development (NABARD) at the interest rate of 4.5% to the extent of 35 to 65% of ground level credit flow, depending on factors such as NPA level, location, etc.